

Message Text

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ACTION NEA-12

INFO OCT-01 ISO-00 EB-11 COME-00 AGR-20 AID-20 TRSE-00

OMB-01 CIAE-00 DODE-00 INR-10 NSAE-00 PA-04 RSC-01

USIA-15 PRS-01 SPC-03 EA-11 EUR-25 L-03 H-03 IGA-02

SS-20 NSC-10 CIEP-02 IO-14 DRC-01 /190 W

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R 061135Z DEC 73

FM AMEMBASSY COLOMBO

TO SECSTATE WASHDC 305

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EO 11652: N/A

TAGS: ECON, CE

SUBJ: SRI LANKA FOOD SITUATION AND CROP PROSPECTS:

EARLY DEC 1973

REF COLOMBO 2630

1. SUMMARY: AFTER PERIOD OF IMPROVED CONFIDENCE FOLLOWING OCT 1 RATION REDUCTIONS AND VISIBLY ENCOURAGING ACTIVITY OF GSL CROP PRODUCTION DRIVE, CEYLON'S OVER-ALL FOOD SITUATION HAS PERCEPTBLY DETERIORATED LAST TEN DAYS. EVIDENCE INCLUDES CLIMBING RICE PRICES; LENGTHENING BREAD LINES; AND MOUNTING PUBLIC, PRESS AND PARLIAMENTARY CONCERN. GSL HAS JUST COMPLETED INTENSE REVIEW OF CURRENT FOOD SUPPLY SITUATION AND MAHA CRBT PROSPECTS. ACTIONS RESULTING WILL INCLUDE ADDITIONAL RICE RATION TO URBAN DWELLERS PLUS CONSIDERATION OF OTHER MEASURES TO ALLOW OFF-RATION MARKET TO FUNCTION MORE FREELY AND EQUALIZE REGIONAL PRICES. CONTINUED LOW RAINFALL IN MAJOR DRY ZONE PADDY AREAS IS RAPIDLY MOVING GSL TO CONCLUSION TOTAL MAHA PADDY YIELD COULD FALL MUCH SHORT OF TARGET. THUS GSL IS NOW FORCED TO INCREASE ESTIMATES OF 1974 RICE/WHEAT IMPORTS. END SUMMARY.

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2. CURRENT SUPPLY/DEMAND RICE: OCT 1 RICE RATION CUTS* GPS

RICE INCREASES, AND INTER-DISTRICT TRANSPORT PROHIBITIONS HAVE DRIED UP PRIVATELY-HELD SUPPLIES AND EXACERBATED PRICE DISPARITIES AMONG SURPLUS RURAL AREAS AND DEFICIT URBAN AREAS. COLOMBO OFF-RATION PRICES ARE NOW RS 5-6 PER MEASURE (RS 3-4.5 THREE WEEKS AGO), OVER RS 7 IN JAFFNA, BUT RS 3-4 IN EAST COAST SURPLUS AREAS. EARLY DEC GSL REVIEW FOOD COMMISSIONER (FC) TOLD EMBOFF 5 DEC (AND PRESS HAS NOW MENTIONED) THAT GSL WOULD VERY SHORTLY ANNOUNCE ADDITIONAL HALF MEASURE ON RATION AT RS 1 AVAILABLE ONLY TO URBAN CONSUMERS FOR INDEFINITE PERIOD, INCREASING PREVIOUS 25,000 TONS MONTHLY TOTAL RATION REQUIREMENT TO 31,000 TONS. PERHAPS IN RESPONSE TO INCREASING CRITICISM, GSL IS ALSO CONSIDERING EASING RICE TRANSPORT RESTRICTIONS.

3. FC SAYS TOTAL AMOUNT RICE TO BE NEGOTIATED WITH PRC IN MID-DEC IN PEKING UNDER RICE/RUBBER AGREEMENT (RRA) WILL BE 100,000 TONS (40,000 TONS ALREADY ADVANCED, DELIVERY TO BE COMPLETED BY JAN). FC ADDED, HOWEVER, THAT BECAUSE OF WORSENING RICE SUPPLY SITUATION GSL NOW INTENDS TO NEGOTIATE FURTHER 100,000 TONS RICE FROM PRC UNDER 5-YEAR CREDIT. (PRESUMABLY GSL SEES ADVANTAGE IN FREEING HALF OF RUBBER NORMALLY BARTERED FOR USUAL ANNUAL 200,000 TONS PRC RICE.) TO UPDATE FIGURES IN REFTEL, FC STATES THAT 60,000 TONS UNDER RRA IS OFFSET BY INCREASED DISTRIBUTION DUE TO URBAN HALF MEASURE SO THAT RICE RATION DEFICIT POINT IS STILL ABOUT APRIL. AFTER THAT, MAHA HARVEST AND ADDITIONAL PRC 100,000 TONS UNDER CREDIT WOULD SUSTAIN RATION.

4. WHEAT FLOUR. PRESS AND MP ATTENTION TO BREAD LINES LENGTHENING COUNTRY-WIDE HAS GREATLY INTENSIFIED LAST TEN DAYS, REVIVING BREAD AS MORE SENSITIVE POLITICAL ISSUE THAN RICE, BUT OPPOSITION IS SO FAR APPARENTLY NOT MAKING MEANINGFUL POLITICAL CAPITAL FROM IT. FC PLANS NO INCREASE IN WHEAT FLOUR DISTRIBUTION FROM PREVIOUSLY REPORTED (APPROXIMATE) 43,000 TONS MONTHLY. SINCE REFTEL, NEW SUPPLIES INCLUDE 20,000 TONS US PL 480V 20,000 TONS GSL CASH, FROM SINGAPORE, PURCHASED EARLY NOV; PLUS 20,000 TONS, GSL CASH, PROBABLY FROM SINGAPORE, PURCHASED 5 DEC. THESE SUPPLIES SHOULD SHIFT WHEAT FLOUR RATION DEFICIT POINT FROM MARCH (SEE REFTEL) TO END APRIL OR MAY.

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5. SOVIET WHEAT SUPPLY POSSIBILITY SURFACED IN DEC 4 SUN ARTICLE. FC SAYS DIRECT SOVIET FLOUR SUPPLY TO SRI LANKA IS NOT POSSIBLE, WHILE WHEAT MILLING PROBLEM IS DIFFICULT TO SOLVE. HE MENTIONED VERY COSTLY POSSIBILITY OF SOVIET WHEAT MILLED IN SINGAPORE AND TRANSSHIPPED TO SRI LANKA.
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6. 1974 MAHA RICE CROP PROSPECTS: GSL HAS APPARENTLY NOT CALCULATED TOTAL INCREASED PADDY ACREAGE SOWN AS DIRECT RESULT FOOD DRIVE. WE UNDERSTAND FROM AGMIN AND GOVERNMENT AGENTS RECENTLY VISITED THAT IN AREAS WITH RAINFALL, RICE PLANTING HAS INCREASED SOMEWHAT WITH FARM CREDIT, FERTILIZER, TRACTORS, SEED MATERIALS AND ADDITIONAL LOCAL EXECUTIVE AUTHORITY PROVIDED UNDER PRODUCTION DRIVE. CENTRAL COORDINATING COMMITTEE UNDER PM'S DAUGHTER AND AGRICULTURE MINISTRY ARE IN CLOSE TOUCH AND MONITORING PLANTING PROGRESS DAILY. AGRICULTURE MINISTRY IS ALLOCATING SCARCE INPUTS, ESPECIALLY FERTILIZER, TO AREAS WITH GREATEST YIELD POTENTIAL, I.E., THOSE WITH WATER. SEED MATERIALS ARE SERIOUS PROBLEM SINCE EVEN IF RAINS COME, ONLY SCARCE THREE-MONTHS VARIETY RICE IS NOW FEASIBLE FOR MAHA HARVEST.

7. AS OF 5 DEC, DROUGHT CONDITIONS PREVAIL ACROSS WIDE ARC OF INLAND DRY AREA PADDY DISTRICTS AND BOTH PUBLIC AND PRIVATE GSL PREDICTIONS ARE INCREASINGLY PESSIMISTIC. CHIEF GSL METEOROLOGIST CONFIRMS DROUGHT AND DAYS SATISFACTORY RAINS NEXT THREE TO FIVE WEEKS ARE STILL POSSIBLE BUT UNLIKELY. FC SAID GSL COMPLETE REVIEW FOOD SITUATION AND CROP PROSPECTS CONCLUDED MAHA PROSPECTS ARE "UNSATISFACTORY".

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8. WE HAVE OBTAINED INTERNAL REPORT SIGNED BY AGRICULTURE MINISTER DETAILING PADDY SOWN AND RAINFALL CONDITIONS AS OF END OF NOV. WE BELIEVE CONCLUSION QUOTED BELOW IS MOST AUTHORITY AVAILABLE NOW: "...IN BADLY AFFECTED DISTRICTS, UNLESS THERE IS DRAMATIC CHANGE IN WEATHER, ABOUT 50-60 PERCENT OF TOTAL ACREAGE WILL REMAIN UNCULTIVATED, ABOUT 250,000 ACRES. THESE BEING HIGH POTENTIAL DISTRICTS LARGELY UNDER MAJOR IRRIGATION WORKS, AN AVERAGE OF 60 BUSHELS PER ACRE CAN BE EXPECTED. ON THIS BASIS SHORTFALL IN PRODUCTION IS EXPECTED TO BE ABOUT AROUND 15 MILLION BUSHELS (TARGET 59 MILLION BUSHELS). IF THERE IS HEAVY RAINFALL DURING NEXT THREE WEEKS, SITUATION WILL CHANGE IN WHICH CASE LARGE AMOUNTS OF CONSUMPTION PADDY OF THREE-MONTH VARIETIES SUITABLE FOR SEE PURPOSES WILL HAVE TO BE ISSUED. THE GOVERNMENT AGENTS ARE IN READINESS TO MEET THIS SITUATION."

9. ON SUBSTITUTE CROPS, MAINLY YAMS AND PULSES, GSL HAS MADE MAJOR EFFORT TO GET THEM IN GROUND. RECENT EMBOFF PROVINCIAL TOUR BEARS THIS OUT. AGRICULTURE MINISTRY CONFIRMS STATEMENT PM MADE 18 NOV THAT ESTIMATED 70,000 ACRES MWNIOC NOW PLANTED, BUT GIVEN CONSUMER RESISTANCE, SLOW MATURATION (4-6 MONTHS) UNSTORABILITY, AND NUTRITIONAL INADEQUACY, ESPECIALLY OF YAMS, THESE CROPS ARE POOR SUBSTITUTES AT BEST BUT THEY COULD PROVIDE IMPORTANT FALLBACK.

10. CONCLUSION: AS OF EARLY DEC 1973 GSL'S CURRENT FOOD DISTRIBUTION PROGRAM IS BARELY STAVING OFF THREAT OF SEVERE SHORTFALL TO CEYLONESE CONSUMERS, WHILE FOOD PRODUCTION DRIVE EFFORTS MAY BE LARGELY CANCELLED BY CONTINUING DROUGHT AND SHORTAGE OF AGRICULTURAL INPUTS. ALTHOUGH INCREASED SUBSTITUTE CROP PRODUCTION AND GSL'S RELATIVELY IMPROVED FINANCIAL CAPACITY TO IMPORT WILL ALMOST CERTAINLY PREVENT OUTRIGHT STARVATION, GSL AND SRI LANKA STILL FACE VERY DIFFICULT FOOD SITUATION IN 1974.

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